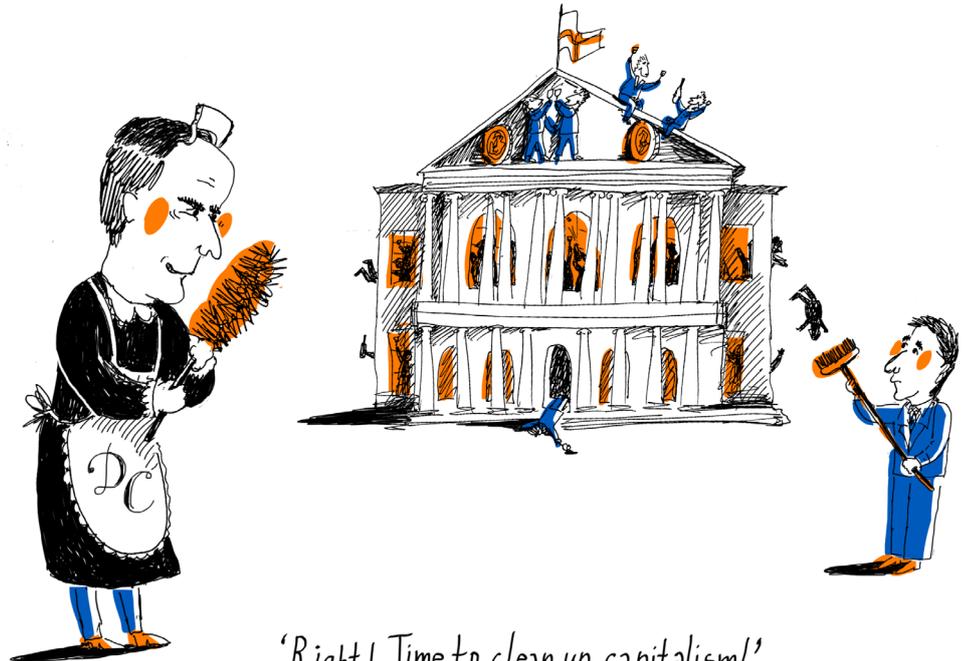


Capitalism the battleground for bonus season

In a big speech yesterday, UK prime minister David Cameron promised to push for more 'responsible' capitalism. Meanwhile, a firm of investment bankers shared £8 billion in pay and bonuses.



HISTORY & POLITICS
 BUSINESS & ECONOMICS

There was gloom outside St Paul's Cathedral yesterday. Members of London's Occupy movement had finally lost their legal fight to maintain a protest camp on church land.

Not far away, at the plush UK headquarters of the investment bank Goldman Sachs, the mood was more upbeat. Why? Because, despite an unusually tough year for bank profits, Goldman staff this year shared pay and bonuses worth an extraordinary eight *billion* pounds.

But the battle is not over. In fact, it may just be getting started. Yesterday, a high-profile speech from Prime Minister David Cameron signalled that the debate over capitalism is moving up from the streets to the very top of the political agenda.

It is time, the Prime Minister said, to push for a 'socially responsible and genuinely popular capitalism.' A system where markets 'work for all of us to spread wealth, freedom and opportunity.'

That means a triple attack on the current system. First, the government will push to give shareholders and employees greater control over the running of the companies they work for. Second, the government will try to curb the excesses of city investment banks, restricting bonuses and making sure those banks bear all the risk from their deals as well as making all the profit. Third, there will be a big effort to encourage entrepreneurs and small businesses, so that capitalism is something many people have a stake in, not just the lucky few.

Cameron is not the first to have entered this political territory. Watching unhappily from the wings was Labour Leader Ed Miliband, who has been talking about the need to end 'predatory practices' in capitalism for months. In an article for the *Financial Times* yesterday morning, he once again made his case – desperate to avoid being totally upstaged.

Cameron and Miliband will continue

to wrangle with each other over coming weeks, pushing their competing visions of how capitalism should be. The really significant thing, however, is not who wins the argument – it is that it is happening at all.

FAIR OR FREE?

Ten years ago, most economists agreed that unrestricted capitalism was the only way forward. Communism had failed. Free trade and the free movement of money had pulled millions out of poverty. Financial wizards in Wall Street and the City of London were making unimaginable fortunes.

Given time, some commentators say, those happy prosperous days could return. Governments just need to do what they have always done: get out of the way. But Cameron, Miliband and a growing number of leaders around the world seem to have another view: that markets should be fair, as well as free.

Q & A

Q So is there about to be a massive social revolution?

A It won't be that dramatic. No one is talking about scrapping capitalism entirely – just making some new rules to tone down some of the free market's less appealing features.

Q Like what?

A Free markets can produce great inequality, as some people do incredibly well and everyone else gets left behind. They are also bad at things like preserving the environment, or ensuring equal opportunities for all.

Q So what are they good at?

A A functioning free market is amazingly

good at driving efficiency and creating wealth: i.e. making more of what people want, when they want it, for a price they can afford.

SOME PEOPLE SAY...

'Interfering with free markets is an attack on liberty.'

WHAT DO YOU THINK?